

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

SOUTHEASTERN LIVINGSTON COUNTY
RECREATION AUTHORITY

ANNUAL FINANCIAL
REPORT

FOR THE YEAR ENDED JUNE 30, 2006

**SOUTHEASTERN LIVINGSTON COUNTY
RECREATION AUTHORITY**

**SOUTHEASTERN LIVINGSTON COUNTY
RECREATION AUTHORITY DIRECTOR**

Julie Hall

AUTHORITY BOARD

Kim Tobin - President
Dan Mulvihill (At-large) - Vice President
Christine Vogt, Ph.D - Treasurer
Steve Holden (Alternate) - Secretary
Cathy Doughty
Tom Murphy
Mark St. Charles
Jon Stoppels
Dean Williams

AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

TABLE OF CONTENTS

PAGE NUMBER

INDEPENDENT AUDITORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

6

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets

13

Statement of Activities

14

FUND FINANCIAL STATEMENTS

Balance Sheet - Governmental Fund

16

Reconciliation of Statement of Net Assets of Governmental Fund
to the Balance Sheet

17

Statement of Revenues, Expenditures, and Changes in Fund Balance
- Governmental Fund

18

Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Fund to the Statement of Activities

19

NOTES TO FINANCIAL STATEMENTS

21

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual

29



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

October 10, 2006

To the Members of the Board
Southeastern Livingston County
Recreation Authority
7878 Brighton Road
Brighton, MI 48116

INDEPENDENT AUDITORS' REPORT

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities of Southeastern Livingston County Recreation Authority, as of and for the year ended June 30, 2006, which collectively comprise of Southeastern Livingston County Recreation Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southeastern Livingston County Recreation Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southeastern Livingston County Recreation Authority, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages 6 through 10 and 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis June 30, 2006

Within this section of Southeastern Livingston County Recreation Authority's annual financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2006. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Authority's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Authority's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various nonfinancial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Authority's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Authority uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

The Authority has one kind of fund:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Financial Analysis of the Authority as a Whole

Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net assets at the end of the fiscal year were \$ 227,521. This is a \$ 19,446 increase over last year's net assets of \$ 208,075.

The following tables provide a summary of the Authority's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities	
	6/30/2006	6/30/2005
Current and other assets	\$ 197,359	\$ 201,330
Capital assets	80,085	86,550
Total assets	<u>277,444</u>	<u>287,880</u>
Accounts payable	11,543	24,891
Deferred revenue	20,217	38,359
Compensated absences	18,163	16,555
Total liabilities	<u>49,923</u>	<u>79,805</u>
Net assets:		
Invested in capital assets, net of related debt	80,085	86,550
Unrestricted	147,436	121,525
Total net assets	<u>\$ 227,521</u>	<u>\$ 208,075</u>

Summary of Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>6/30/2006</u>	<u>6/30/2005</u>
Revenues:		
Program revenues		
Charges for services	\$ 502,973	\$ 430,885
Contributions	167,083	151,646
General revenues		
Interest income	4,474	2,361
Total revenues	<u>674,530</u>	<u>584,892</u>
Expenses		
Parks and recreation	655,084	563,794
Total expenses	<u>655,084</u>	<u>563,794</u>
Changes in net assets	19,446	21,098
Beginning net assets	<u>208,075</u>	<u>186,977</u>
Ending net assets	<u><u>\$ 227,521</u></u>	<u><u>\$ 208,075</u></u>

The Authority was able to add \$27,519 to its fund balance compared to a decrease to fund balance in the prior year of \$51,156. The increase is due primarily to increase in program fees and private contributions. The prior year decrease was due to a pay off of a line-of-credit.

Financial Analysis of the Authority's Funds

Southeastern Livingston County Recreation Authority has only one fund which reports all activity conducted by the Authority, the General Fund.

Economic Conditions and Future Activities

The Authority is collaborating with Brighton Township on development of a 60 acre park.

The Authority continues to develop relationships with local business and organizations. These collaborative efforts help to offset programming expenses and minimize duplication of services.

The Brighton Area School District continues to be a primary partner.

Capital Asset and Long-Term Debt Activity

The Authority did not purchase, receive or dispose of any material capital assets during the year. In addition, there was no long-term debt issued during the year nor any outstanding at year end.

General Fund Budgetary Highlights

The Authority approved a budget prior to the start of the fiscal year, and made one immaterial amendment during the year which lowered contracted services and increased salaries.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact Southeastern Livingston County Recreation Authority at 7878 Brighton Road, Brighton, MI 48116.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT-WIDE
FINANCIAL
STATEMENTS

SOUTHEASTERN LIVINGSTON COUNTY
RECREATION AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 195,345
Receivables	
Intergovernmental	2,014
Capital assets - net of depreciation	<u>80,085</u>
Total assets	<u>277,444</u>
LIABILITIES	
Accounts payable	4,530
Accrued wages	7,013
Deferred revenue	20,217
Compensated absences	<u>18,163</u>
Total liabilities	<u>49,923</u>
NET ASSETS	
Investment in capital assets, net of related debt	80,085
Unrestricted	<u>147,436</u>
Total net assets	<u><u>\$ 227,521</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTHEASTERN LIVINGSTON COUNTY RECREATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Parks and recreation	<u>\$ (655,084)</u>	<u>\$ 502,973</u>	<u>\$ 167,083</u>	<u>\$ 14,972</u>
General Revenues:				
Unrestricted investment earnings				<u>4,474</u>
Total general revenues				<u>4,474</u>
Change in net assets				19,446
Net assets, July 1, 2005				<u>208,075</u>
Net assets, June 30, 2006				<u>\$ 227,521</u>

The accompanying notes are an integral part of these financial statements.

FUND
FINANCIAL
STATEMENTS

SOUTHEASTERN LIVINGSTON COUNTY RECREATION AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2006

	<u>General Fund</u>
 <u>ASSETS</u>	
ASSETS	
Cash and investments	\$ 195,345
Due from School district	<u>2,014</u>
Total assets	<u><u>\$ 197,359</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES	
Accounts payable	\$ 4,530
Accrued wages	7,013
Deferred revenue	<u>20,217</u>
Total liabilities	31,760
FUND BALANCE - UNRESERVED	<u>165,599</u>
Total liabilities and fund balance	<u><u>\$ 197,359</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTHEASTERN LIVINGSTON COUNTY RECREATION AUTHORITY
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUND TO THE BALANCE SHEET
JUNE 30, 2006

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$	165,599
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Historical cost	\$	122,403	
Depreciation		<u>(42,318)</u>	
Capital assets, net of depreciation			80,085
Compensated absences			<u>(18,163)</u>
Net assets of governmental activities		\$	<u>227,521</u>

The accompanying notes are an integral part of these financial statements.

SOUTHEASTERN LIVINGSTON COUNTY RECREATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>General Fund</u>
REVENUES	
Adult program fees and other charges	\$ 42,574
Youth program fees and other charges	407,738
Grants, donations, and other contributions	167,083
Special activities revenue	25,449
Skate park revenue	27,212
Interest	<u>4,474</u>
Total revenues	<u>674,530</u>
EXPENDITURES	
Salaries and payroll taxes	272,196
Employee benefits	63,891
Insurance	15,674
Special activities expenses	11,304
Skate park expenses	3,295
Recreation supplies	35,380
Office expenses	26,120
Bank charges	10,524
Postage expense	13,052
Contract services	113,469
Professional services	24,844
Printing and publishing	15,546
Repairs and maintenance	3,442
Office equipment/furniture	15,449
Computer expense	2,700
Utilities	7,425
Rental expense	12,671
Miscellaneous	<u>29</u>
Total expenditures	<u>647,011</u>
Net change in fund balance	27,519
FUND BALANCE, JULY 1, 2005	<u>138,080</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 165,599</u>

The accompanying notes are an integral part of these financial statements.

SOUTHEASTERN LIVINGSTON COUNTY RECREATION AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the Statement
of Activities are different because:

Net change in fund balance - governmental funds		\$ 27,519
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense.		
Depreciation expense	(12,865)	
Capital outlay purchased	<u>6,400</u>	
		(6,465)
Compensated absences		<u>(1,608)</u>
Change in net assets of governmental activities		<u>\$ 19,446</u>

The accompanying notes are an integral part of these financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

SOUTHEASTERN LIVINGSTON COUNTY RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Southeastern Livingston County Recreation Authority conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Authority as a whole. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Authority (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Authority would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Authority are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

SOUTHEASTERN LIVINGSTON COUNTY RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, if any, are combined in a single column on the fund financial statements.

The Authority reports the following major governmental fund:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government. General Fund activities are funded primarily from program charges and intergovernmental sources.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Authority's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

SOUTHEASTERN LIVINGSTON COUNTY RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BUDGET INFORMATION

The annual budget is prepared by the recreation director and adopted by the Southeastern Livingston County Recreation Authority; subsequent amendments are approved by the Authority's board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America except that "payment of long-term debt" has been included in expenditures rather than as "other financing uses". The budget has been adopted on a total revenue and expenditure basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The additional detail in this statement is shown in greater detail than the budget that was adopted and is used to provide additional analysis for management use only.

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Office equipment	3 to 5 years
Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years
Vehicle	5 years

E. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

SOUTHEASTERN LIVINGSTON COUNTY RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. RISK MANAGEMENT

The Southeastern Livingston County Recreation Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for workers' compensation and employee medical claims and participates in the state pool program of the Michigan Municipal Risk Management Authority for claims relating to general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past year.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

G. CASH AND CASH EQUIVALENTS

The Authority considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

H. INCOME TAXES

As a governmental agency, the Authority is exempt from both federal income taxes and Michigan Single Business Tax.

NOTE 2 - FINANCIAL REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, certain other governmental organizations are not considered to be part of the reporting entity for financial statement purposes.

The criteria established by GASB Statement No. 39 for various governmental organizations to be included in the reporting entity's financial statements include accountability, control, and significant financial relationships.

The accompanying financial statements of Southeastern Livingston County Recreation Authority as of June 30, 2006, include any and all boards, agencies, funds and account groups under the jurisdiction of the Southeastern Livingston County Recreation Authority Board.

Southeastern Livingston County Recreation Authority was jointly incorporated by the City of Brighton, the Charter Township of Brighton, and the Charter Township of Green Oak. The Authority was incorporated in 2002 under provisions of Public Act 321. The Authority is governed by a board composed of two members from each of the above municipalities, two members from Brighton Area Schools, and one at-large member approved by other board members. The Authority was formed to provide recreational services to the respective communities.

SOUTHEASTERN LIVINGSTON COUNTY RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the Authority's governmental funds for the year ended June 30, 2006 was as follows:

<u>Governmental Activities</u>	<u>Balance 7/1/05</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance 6/30/06</u>
Capital assets not being depreciated				
Skate park land	\$ 32,092	\$	\$	\$ 32,092
Capital assets being depreciated				
Office equipment	21,574	6,400		27,974
Skate park land improvements	54,337			54,337
Vehicle	<u>8,000</u>	<u> </u>	<u> </u>	<u>8,000</u>
Subtotal	83,911	6,400		90,311
Accumulated depreciation				
Office equipment	11,937	6,631		18,568
Skate park land improvements	10,868	5,434		16,302
Vehicle	<u>6,648</u>	<u>800</u>	<u> </u>	<u>7,448</u>
Subtotal	<u>29,453</u>	<u>12,865</u>	<u> </u>	<u>42,318</u>
Net capital assets being depreciated	<u>54,458</u>	<u>(6,465)</u>	<u> </u>	<u>47,993</u>
Net capital assets, governmental activities	<u>\$ 86,550</u>	<u>\$ (6,465)</u>	<u>\$</u>	<u>\$ 80,085</u>

Depreciation expense is being recorded in the government-wide statement of activities based upon the activity utilizing the assets. The Authority uses the straight line method to depreciate capital assets over their estimated useful lives.

SOUTHEASTERN LIVINGSTON COUNTY RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks, commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority's deposits are in accordance with statutory authority.

The Authority has designated one bank for the deposit of its funds. The investment policy adopted by the Authority in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The deposits and investment policies are in accordance with statutory authority.

The Authority had no investments during the year ended June 30, 2006.

The Authority's cash deposits are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Authority had \$122,780 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 100,000	\$ 100,000
Uninsured and uncollateralized	<u>95,345</u>	<u>122,780</u>
Total deposits	<u>\$ 195,345</u>	<u>\$ 222,780</u>

SOUTHEASTERN LIVINGSTON COUNTY RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 5 - RELATED PARTIES

The Authority pays rent for its building space to Brighton Area Schools. Rent expense for the year ended June 30, 2006 was \$11,279.

Other accounting policies are disclosed in other notes to the financial statements.

NOTE 6 - COMPENSATED ABSENCES

It is the Authority's policy to permit full-time employees to accumulate earned but unused sick and vacation pay benefits. All compensated absence pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The compensated absence balance was \$18,163 and \$16,555 as of June 30, 2006 and 2005, respectively. The entire amount accrued as of June 30, 2006 is current and will be paid within the next fiscal year.

NOTE 7 - DEFERRED REVENUE

Governmental funds modified accrual basis financial statements and the government-wide full accrual financial statements report deferred revenue in connection with revenue that has not been earned since it related to advance collection of program fees for programs which will be provided subsequent to the end of the current fiscal year.

NOTE 8 – GRANTS AND DONATIONS

During the current year, the Authority received the following grants, donations, and contributions into the General Fund:

Cash contributions	
Charter Township of Brighton	\$ 59,129
City of Brighton	25,618
Genoa Township	32,262
Charter Township of Green Oak	29,330
Private sponsorship	<u>20,744</u>
Total	<u>\$ 167,083</u>

NOTE 9 – DEFINED CONTRIBUTION PENSION PLAN

The Authority provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority contributes 10 percent of full-time employees' gross earnings. In accordance with these requirements, the Authority contributed \$13,918 during the year ended June 30, 2006. The Authority's contributions for each employee are fully vested after five years for employees who are employed after July 2003. The employees who were with the Authority before July 2003 were fully vested upon hire.

REQUIRED
SUPPLEMENTARY
INFORMATION

SOUTHEASTERN LIVINGSTON COUNTY RECREATION AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Adult program fees and other charges	\$ 50,000	\$ 50,000	\$ 42,574	\$ (7,426)
Youth program fees and other charges	380,000	380,000	407,738	27,738
Grants, donations, and other contributions	166,339	166,339	167,083	744
Special activities revenue	35,000	35,000	25,449	(9,551)
Skate park revenue	40,000	40,000	27,212	(12,788)
Interest	1,500	1,500	4,474	2,974
Total revenues	672,839	672,839	674,530	1,691
EXPENDITURES				
Salaries and payroll taxes	251,920	286,920	272,196	14,724
Employee benefits	70,160	70,160	63,891	6,269
Insurance	15,500	15,500	15,674	(174)
Special activities expenses	10,000	10,000	11,304	(1,304)
Skate park expenses	7,000	7,000	3,295	3,705
Recreation supplies	35,000	35,000	35,380	(380)
Office expenses	26,000	26,000	26,120	(120)
Bank charges	10,000	10,000	10,524	(524)
Postage expense	7,500	7,500	13,052	(5,552)
Contract services	146,000	111,000	113,469	(2,469)
Professional services	26,300	26,300	24,844	1,456
Printing and publishing	12,000	12,000	15,546	(3,546)
Repairs and maintenance	4,000	4,000	3,442	558
Office equipment/furniture	16,000	16,000	15,449	551
Computer expense	3,000	3,000	2,700	300
Utilities	12,000	12,000	7,425	4,575
Rental expense	20,000	20,000	12,671	7,329
Miscellaneous			29	(29)
Total expenditures	672,380	672,380	647,011	25,369
Net change in fund balance	459	459	27,519	27,060
FUND BALANCE, JULY 1, 2005	138,080	138,080	138,080	
FUND BALANCE, JUNE 30, 2006	\$ 138,539	\$ 138,539	\$ 165,599	\$ 27,060

SOUTHEASTERN LIVINGSTON COUNTY
RECREATION AUTHORITY

COMMENTS
AND
RECOMMENDATIONS

FOR THE YEAR ENDED JUNE 30, 2006

October 10, 2006

To the Members of the Board
Southeastern Livingston County
Recreation Authority
7878 Brighton Road
Brighton, Michigan 48116

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of Southeastern Livingston County Recreation Authority for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. Those matters are as follows:

1. COMMENT

We found several instances of where the Authority was paying sales tax on items.

RECOMMENDATION

Authority is tax exempt and should be giving tax exemption certificates to vendors charging tax.

This letter does not affect our report dated October 10, 2006 on the financial statements of Southeastern Livingston County Recreation Authority.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is solely for the information and use of the Board Members, and management of Southeastern Livingston County Recreation Authority.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants